

EMBARGOED FOR RELEASE UNTIL 8:30 am March 1, 2005

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## MEDICARE PAYMENT ADVISORY COMMISSION RELEASES REPORT ON MEDICARE PAYMENT POLICY

**Washington, DC, March 1, 2005** — Today, the Medicare Payment Advisory Commission (MedPAC) releases its March 2005 *Report to the Congress: Medicare payment policy*.

MedPAC makes a series of recommendations for the Medicare program to begin differentiating among providers when making payments. Currently, Medicare pays providers the same regardless of their quality. The report recommends that:

- Medicare should pay more for higher quality performance from hospitals, home health agencies, and physicians, as the Commission recommended last year for Medicare Advantage plans and dialysis providers.
- CMS should include quality measures that reflect the use and functions of IT systems, beginning in physicians' offices. It should also require reporting of lab values and prescription claims data, which could be combined with physician claims to provide a more complete picture of patient care.
- Providers who perform imaging studies and physicians who interpret them should meet quality standards as a condition of Medicare payment, and CMS should improve coding edits for imaging services.
- CMS should measure resource use of physicians serving Medicare beneficiaries and provide information about practice patterns confidentially to physicians.

These are all important steps to improve quality for beneficiaries and to lay the groundwork for obtaining better value in the Medicare program.

MedPAC also recommends updates and policy improvements for six Medicare payment systems:

- For the hospital inpatient and outpatient prospective payment systems and the outpatient dialysis payment system, updates equal to a market basket index (representing input price changes) minus 0.4 percent; also, an extension of the hospital outpatient hold harmless provision for small, isolated rural hospitals. These updates balance concerns about declining margins with stable indicators for access and quality and the need to maintain fiscal discipline.
- For the physician fee schedule, an update equal to market basket less an allowance of 0.8 percent for productivity. Beneficiaries continue to have good access to physician services, and the volume of physician services is increasing.
- For the skilled nursing facility (SNF) and home health payment systems, no updates. Overall access to skilled nursing and home health providers is good, the supply of

providers is stable, and current payments exceed costs by a large enough margin to offset expected cost growth in 2006. So that payments better follow patients' costs, MedPAC again recommends that the Congress take steps to reallocate Medicare payments from rehabilitation to skilled non-therapy payment groups until the SNF payment system is refined. It also recommends that CMS develop new SNF-specific quality measures. MedPAC also urges further study of the home health PPS to see whether refinements are needed to promote access to care for all types of beneficiaries.

The report also discusses the context for MedPAC's payment policy recommendations, noting that Medicare expenditures are projected to represent an increasing share of the federal budget and to grow faster than the economy. Decision makers need to consider more explicitly how to assure the sustainability of the program and how to obtain greater value for Medicare spending.

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*The Medicare Payment Advisory Commission is an independent Congressional advisory body charged with providing policy analysis and advice concerning the Medicare program and other aspects of the health care system. Its 17 commissioners represent diverse points of view and include health care providers; payers; beneficiary representatives; employers; and individuals with expertise in biomedical, health services, and health economics research.*